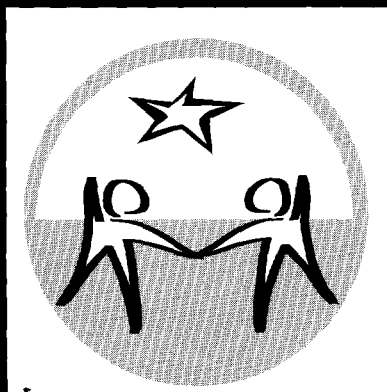


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Coordinating Poverty Alleviation
Programs with Regional and
Local Governments:
The Experience of the Chilean
Social Fund—FOSIS

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COORDINATING POVERTY ALLEVIATION PROGRAMS WITH REGIONAL AND LOCAL GOVERNMENTS

The Experience of the Chilean Social Fund [FOSIS]

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Abstract

This paper reviews the Chilean experience in dealing with the issue of integration of local and regional governments into the poverty alleviation programs carried out through the Chilean social fund – FOSIS. FOSIS was created in 1990 by the first democratically elected government that took office after 17 years of military rule. However, it was only in 1992 that local governments were elected after a long period of appointed officials and neglect of investments in economic and social infrastructure. Since its inception, FOSIS gave high priority to participatory approaches and capacity building of community organizations as the key mechanisms to enable the poor to improve their living conditions on a sustainable basis. This paper traces the evolution of FOSIS and analyzes its new strategy for allocating resources at the regional and local levels. The Chilean case presents a successful example of increasing integration of local governments with poverty programs designed and implemented by intermediaries (mostly NGOs) and/or directly by beneficiaries.

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Coordinating Poverty Alleviating Programs with Regional and Local Governments: The Experience Of The Chilean Social Fund [FOSIS]

I. The Context

The Chilean Socio-Political Background in the Early 1990s

1.1 By 1990, when democracy was being re-established in Chile, the process of economic reforms initiated by the military regime (1973-1990) was almost complete and the country was beginning to achieve sustained growth under a re-structured modern economy. However, comparable progress had not been achieved on the social front. By that time, about forty percent of the population was below the poverty line (5 million people). Under these circumstances, the democratic government felt compelled to establish priority programs that would address simultaneously the reduction of unemployment, an increase in real wages, an expansion of transfers to low income people, and a substantial increase of capital and recurrent expenditures in health, education and housing. All of these programs were conducive to improving the living conditions of the population under the poverty line and making room for social participation.

1.2 Several other prevailing issues were critical to defining the shape of social programs in the early 1990s. The population had lost its trust in non-elected local governments after several years of low levels of expenditures, both on social programs and social infrastructure. It was only in 1992 that municipal authorities appointed by the military regime were replaced by democratically elected officials. This situation called for the creation of a space for democratization and participation at the grassroots level, given also that community leaders had been, until then, appointed by the military authorities. Moreover, programs relied heavily on the experience that NGOs had accumulated during the 1980s assisting communities to address their most pressing needs. In general, local authorities were slow to react to the challenges of introducing participatory approaches for addressing poverty issues.

An Overview of FOSIS

1.3 The Fund for Solidarity and Social Investment (*Fondo de Solidaridad e Inversión Social* – FOSIS) was created in 1990 with the mandate of financing social development interventions that would contribute to increase income levels and improve the quality of life of the poor. FOSIS began its activities by making extensive use of the positive experience that NGOs had gained during the latter years of the military regime, implementing social programs that proliferated to compensate for the lack of social expenditures. One key policy decision was made at the outset about the role of FOSIS: it

should not undertake any program that would duplicate or replace normal activities of line ministries, particularly education, housing and health.

1.4 The overarching objective defined for FOSIS was poverty alleviation, understood as “the process of cumulative transformations that enables social groups to opt for alternative courses of action, and for goods and services, available in a society for improving their living conditions”. In addition to the modalities normally followed by most social funds in Latin America - e.g. targeted interventions, decentralization, autonomy, complement of traditional social policies, and establishing new relations among the public sector, NGOs and the civil society - FOSIS adopted the following set of specific policies:

- programs should be aimed at addressing poverty issues through seeking (i) the integration of income generation activities of the poor to the mainstream of the Chilean economy, (ii) the integration of marginal communities with the rest of society, and (iii) the satisfaction of basic needs;
- FOSIS has a permanent role in the Government’s poverty alleviation strategy creating innovative programs that are complementary to traditional social policies and activities;
- competition through public bidding is the preferred modality for selecting both micro-projects to be financed and intermediaries to carry out interventions; and
- it should seek to mobilize financial resources from all other sources.

1.5 During its first five years, FOSIS centered its activities on the design and implementation of programs using innovative methodologies for social interventions. By that time, its programs played a key role in the process of rebuilding the social fabric of poor communities and re-establishing the trust between civil society and the Chilean State. The main programs implemented during this period were: (a) Generating Capacity in Poor Communities – called ‘Among Everybody’ (“*Entre Todos*”), which focused on providing poor communities, through the use of participatory approaches, with the ability to identify and prioritize their own needs, design solutions and implement small-scale projects to improve their living conditions; (b) Support to Micro-Enterprise, providing technical assistance and management support through qualified intermediaries (mainly NGOs), and credit via banks (using their own resources and normal financial terms) with FOSIS providing a subsidy to the higher cost of these financial transactions; (c) Support to income generation in rural areas, which provides assistance to poor rural communities to improve their managerial skills and their income generation capacities through support to peasant organizations and small-scale rural infrastructure investments; and (d) Youth Programs, aimed at assisting poor young people who have abandoned formal studies, to become involved in the activities of their communities and to seek their incorporation into the formal labor market, through training programs.

1.6 Based on the experienced gained during its first five years of existence, by 1996 FOSIS started a major institutional strengthening process aimed at: (a) reassessing its mission and strategy for undertaking social interventions; (b) redesigning its organizational structure in accordance with the redefined mission including the strengthening of regional offices; and (c) undertaking a critical review of its programs and methodologies. This process was supported by the World Bank through an institutional development grant.

1.7 FOSIS restated its basic mission as contributing to overcome poverty through the effective use of innovative programs and its complementary role in the implementation of social policy instruments. It acknowledged the diversity of poverty issues ranging from lack of income, housing, food, health, drinking water and sanitation to the ability for personal development, access to information and knowledge, for improvement of self-esteem and isolation, and for establishing associations and networks with other groups and organizations .

1.8 Its new strategy would be based on (a) moving from a culture focused on short term outcomes to one based on the impact of its programs on the ability of the poor to improve its living conditions and prospects for sustainable development; and (b) changing the emphasis of its programs from thematic areas (e.g. rural communities, microenterprise, elderly, young people) to a territorial focus based on a strategy for overcoming poverty issues on a given geographical area, selecting interventions and coordinating activities with programs sponsored by other agencies.

1.9 Although most of the basic policies remained in place, programs and activities are now centered on:

- Stronger emphasis on territorial management. All major programs were redesigned to seek a stronger integration of activities with regional and local authorities. The basic aim was strengthening the process of decentralization of resource allocation for poverty alleviation strategies.
- The ability to create new participatory social programs. This is done through the design and piloting of new programs for poverty alleviation, creating methodologies and supporting these activities in lines ministries and public agencies. It is in this context that new programs have been established, such as, support for the elderly in poor communities and rural housing improvement, and methodologies are being designed to address urban poverty issues in the larger cities.
- Ability to hand-over programs. Given its role as a complement to other public sector programs, FOSIS adopted the policy to hand-over programs to whichever agency is better placed to continue with its implementation. This has been the case with the program for Chilean indigenous populations, for housing repairs, and reforestation.

1.10 During its eight years of operation, FOSIS programs have had, by and large, a positive impact in the communities where its activities have taken place. The most

salient aspects have been: (a) targeting has been quite effective translated into 80% of communities reached have been among the poorest strata of the population; (b) seven out of ten projects have had, or are likely to have, a positive impact among beneficiaries providing training, managerial skills, community organizational capabilities and equipment and infrastructure; and (c) there is a high correlation (about 80%) between the positive impact of an intervention and the participation of beneficiaries in the definition and selection of such intervention.

FOSIS: Basic Fact Sheet

FOSIS is under the tutelage of the Ministry of Planning and Cordination. FOSIS is managed by a Head Office in Santiago and 13 Regional Offices. It employs close to 400 persons, and about 75% of its staff works in the Regional Offices.

FOSIS annual budget has evolved from US\$20-30 million during 1991-93, to about US\$50 million since 1994. The current allocation by main program is:

▪ Capacity Generation	22.5%
▪ Income Generation Rural Areas	8.5%
▪ Vulnerable Groups	19.3%
▪ Microenterprises	22.9%
▪ Training for Young People	13.3%
▪ Management and Overheads	13.5%

1.11 The role and number of NGOs also changed during this period. As mentioned earlier, NGOs had been very active in social programs during the 1980s and early 1990s, but an interesting process started to develop towards the mid 1990s. NGOs started to loose their ability to mobilize resources that they had enjoyed during the 1980s. Additionally, many of them had lost their managerial abilities since a high number of their staff had moved to take positions at all levels of government. By the mid 1990s, the number of NGOs active and with experience in the social sectors had decreased considerably. Also, due to the lack of international resources mobilized by that time, many of those remaining started to sell services to FOSIS and other government agencies becoming, in practice, a not-for-profit consultancy. However, many of those remaining have good relevant experience and are a key factor for implementing social programs, enabling FOSIS to maintain a slim structure by contracting out these services.

The Regional Institutional Structure

1.12 The current structure of the Chilean government was established by the military regime under hierarchical and authoritarian principles. The system is unitarian and it is

structured in four levels: central or national, regional, provincial, and municipal. There are 13 regional governments, 51 provinces, and 341 municipalities. Provinces lost most of their power with the creation of regional governments in 1974 and most provincial authorities only have a political role.

1.13 The political head of the regional government is appointed by the President and presides over a council composed of regional representatives of line ministries. Regional governments are responsible for directing a significant portion of capital investment transfers from the national government to the municipalities. By the mid 1990s, this system of allocation of resources accounted for national transfers that represented about one third of total public investment. The majority of these transfers are agreed upon with the national government via a system of negotiated agreements, and then transferred to municipalities.

1.14 Since 1992, municipalities started to become increasingly autonomous, responsible for a wide range of services and with increased revenues due to changes in tax laws. Prior to the reinauguration of municipal elections in late 1991, the military government had progressively decentralized service delivery to municipalities, notably primary and secondary education and primary health care. The central government, however, appointed mayors and maintained strict controls over municipal hiring practices. With the return to democracy in 1990, the Chilean government began introducing the necessary constitutional and legal reforms that would allow elections and increased autonomy at the municipal level. Besides the restoration of democracy at the local level, an important objective of the reforms was the enhancement of overall fiscal performance and accountability of the subnational public sector.

1.15 The municipal government is currently headed by an elected mayor, who presides over a council composed of 6 to 10 elected members depending on the population of the municipality (or commune as it is called in Chile). Municipal governments play a key role in the provision of local services (primary health care and primary and secondary education) that benefit lower income groups. They also have primary responsibility for the delivery and maintenance of urban infrastructure and services, including: (a) street paving and lightning; (b) solid waste collection, disposal and treatment; (c) drainage; and (d) open space and recreation.

1.16 The two democratically elected governments since 1990 have implemented policies for a gradual and sustained progress in the decentralization and modernization of the Chilean state. Key priorities in this effort include: (a) developing innovative methodologies and strategies in local accountability, especially in the development and implementation of management information systems and budget and asset management; (b) contributing to a permanent system of training and technical assistance to municipal governments, incorporating diverse institutional actors, including regional governments; (c) strengthening and improving local management, especially in terms of finances, of human resources and municipal services; and (d) harmonizing and equalizing local management capabilities with respect to the legal and institutional reforms being pursued

by the government, e.g., increased autonomy in human resource management, efficient municipal taxation, improvement of municipal services, improved community participation, transparency, and accountability.

II. FOSIS Poverty Alleviating Programs

2.1 FOSIS is currently implementing a menu of poverty alleviation programs which are targeted on a territorial basis. These programs can be grouped in two modalities based on the role that beneficiaries take during implementation: (i) interventions that are implemented directly by beneficiaries with assistance provided by NGOs or other specialized organizations; and (ii) interventions that are implemented by an intermediary on behalf of beneficiaries.

Interventions Implemented Directly by Beneficiaries

2.2 A two-phase approach is used for these interventions. First, the intervention focuses on providing assistance to groups (communities), using participative methods, to create or strengthen their capabilities to identify and address their development issues (improving living conditions or income generation). It uses the formulation and implementation of small-scale projects as a mean of achieving the capacity building objective. Assistance is provided by NGOs, consultants or universities selected through competitive methods. Typical activities during this phase are:

- dissemination of the program among potential beneficiaries and other stakeholders in the targeted geographical area;
- identification of groups of potential beneficiaries;
- provision of assistance to groups/communities to prepare development plans using participatory approaches;
- provision of assistance to groups/communities in preparing a submission to FOSIS of a priority list of projects included in the development plans seeking to obtain financing;
- provision of assistance to groups/communities, after obtaining financing, in managing project implementation; and
- beneficiaries conduct an assessment of the process undertaken for preparing development plans, and project formulation and implementation.

2.3 In a second phase, FOSIS provides financing for small scale projects, typically in the form of matching grants, allocated normally through a competitive process. When competitions are used, these are organized at the regional level, by the time the capacity building program has reached an appropriate stage. Formal bidding processes are used with well defined and transparent rules. Competing projects are appraised and ranked based on how well they meet the eligibility criteria, their technical merits and the sustainability of solutions proposed.

2.4 Interventions implemented directly by beneficiaries include the following:

- Capacity Building. This intervention is intended for communities which lack the ability to undertake actions to improve their living conditions. The objective is to support improvement in living conditions through assisting them in creating and/or strengthening the capacity for managing community affairs and developing projects that would benefit members of the community. The basic approach is carrying out a participatory training program with members of the community to develop the capacity to (a) become aware of their own reality and the possibilities to change it; (b) seek solutions to address their needs on a sustainable basis; and (c) implement the agreed initiatives.
- Strengthening of Existing Organizations. Conceived for groups of persons with socioeconomic, territorial and environmental homogeneity and with a proven record of basic organizational skills, normally acquired under a previous Capacity Building intervention. The objective is to support improvements in living conditions of organized communities, through assisting them in the development of high social impact projects that would strengthen their organization and their ability to liaise with other organizations and government agencies. This intervention is centered on strengthening existing community organizations to enable them to address their problems effectively and to make use of the opportunities available to initiate and sustain development processes.
- Income Generation in Rural Areas. The basic objective of this program is to assist rural groups engaged in income generation activities to improve their opportunities for expanding income generation and/or employment. It provides assistance for widening their participation in existing markets and strengthening their technical and managerial capabilities. The program is targeted to groups of at least 5 persons with socioeconomic, territorial and environmental homogeneity who are engaged in small-scale income-generation activities related to non-traditional crops, forestry, agro-industrial products, cottage industries, agro-tourism and agricultural services. The basic approach is to promote the formulation and implementation of projects aimed at (a) improving the valued added of existing activities; (b) generating additional income; and (c) coordinating actions and resources of group members to attain a sustainable development.

Interventions Implemented Through Intermediaries

2.5 Programs under this approach are based on proposals invited from agencies (mostly NGOs) sponsoring initiatives which are selected through a competitive process. It comprises programs dealing with youth, children and elderly issues.

- Youth Development. Its basic objective is to help improve the living conditions of persons aged 13 to 24 living in poor areas, normally with high levels of

unemployment. The program uses participatory approaches for identifying issues and concerns. Once initiatives are formulated, it helps financing their implementation and assessing results. It covers both the formulation and the implementation of initiatives such as job training programs, development of artistic groups (folk singing and dancing or rock bands), and sports programs for coaching younger children.

- Strengthening of Programs for Children. This aims at creating a new approach towards addressing children's issues in poor communities. It helps to generate capacity in communities through a participatory diagnosis of children's issues followed by formulating programs for addressing those issues. It finances the implementation of initiatives chosen through competition.
- Assistance to Elderly Associations. This program seeks to contribute to improving the quality of life of the elderly in poor communities. Interventions include activities related to cultural affairs (theater, chorus, and folk groups, painting, handicrafts, etc.), recreation (sports, dancing and physical fitness), and other activities to improve centers for the elderly. It also covers assistance to have better access to benefits and services available in the public and private sectors, mostly related to health services including provision of glasses, hearing aids and miscellaneous devices used such as walking aids. It also provides assistance on legal matters and filing of claims related to pension and health schemes.

Programs Sponsored by Other Government Agencies.

2.6 The regional allocation scheme currently also includes some programs sponsored by other government agencies responsible for allocating investment resources to municipalities. These programs are oriented at improving urban infrastructure in poor areas within municipalities addressing issues of (a) slums upgrading, (b) employment generation in deprived areas, and (c) providing relief under emergency situations such as earthquakes, droughts, floods, etc. It assists with small scale infrastructure (water and sewage, roads, sidewalks, drainage, etc.) projects aimed at improving security and safety in poor areas, and projects to generate employment.

III. Scheme for Allocating Resources at the Local Level

3.1 The objective of the scheme is to allocate resources for poverty alleviation programs in a decentralized manner, in line with regional and local strategies. It incorporates the targeting criteria of specific programs into the process for allocation of resources at the regional and local level, through the coordination with other public expenditures. It aims to (a) facilitate the coordination of public investment programs at the regional and municipal levels; (b) support the decentralization process by strengthening the ability of regional and local governments for allocating resources in line with their strategic plans; (c) improve the targeting of resources at the local level within

municipalities; and (d) promote a development process at the local level, integrating the participation of communities and public and private institutions, which would lead to sustainable strategies to overcome poverty.

Overview of the Allocation Scheme.

3.2 The scheme for allocating resources at the regional and local levels is implemented for a given fiscal year in four basic stages as described below:

- Allocation of Resources to Regions. FOSIS makes an allocation of resources available for its programs (within a given fiscal year) to the regions, according to targeting criteria. Targeting is based primarily on poverty maps reflecting the incidence of poverty in each region by using indicators related to family income, education, and health. Also, additional criteria is used for each program, depending on specific issues that are intended to be addressed: vulnerability, lack of basic infrastructure, youth unemployment, vulnerability of children, etc.
- Selection of Municipalities. The regional authority selects the municipalities that will participate and makes an allocation of the resources available for each program. Municipalities are selected based on poverty maps and resource allocation is made in coordination with other programs and resources available at the regional level.
- Micro-targeting. The municipal authority target each approved program to small geographical areas or communities within its territorial boundaries and allocates resources available. Normally, poverty maps are not available at the community level. Consequently, areas are chosen based on qualitative targeting criteria provided by FOSIS and the municipal government knowledge of geographical areas and its own development plans and priorities. In some cases, municipal governments supplement the allocation for certain programs using their own resources.
- Implementation. Programs are implemented by intermediaries and beneficiaries, coordinated and supervised by FOSIS and monitored by the regional and municipal authorities.

The Role of the Regional Government

3.3 The basic role of the regional government is selecting municipalities and allocating resources for each program proposed to them. FOSIS provides a general guideline based on poverty maps. In most regions, a ranking of communities is prepared based on available information to define priorities. Decisions on the inclusion of marginal municipalities are normally based on the availability of resources from other sources. The specific criteria for selecting municipalities vary from region to region. One interesting case is the Metropolitan Santiago Region which bases the selection on a “Social Priority Indicator” used to classify municipalities into four priority groups. Most

of the resources are allocated to those in the “High Priority” group and, if available, also to the highest ranked municipalities in the “Medium-High” group. The indicator is based on a combination of the following indices: (a) percent of families with income below the “poverty line”; (b) average years of education of the population in the municipality; (c) average score in the standardized test for children in 4th grade; (d) teenage pregnancy measured as the percentage of live births from mothers under the age 19; and (e) infant mortality, applied to mothers living in the municipality.

3.4 In each region, a proposal is prepared by a regional working group directed by the head of the regional office of FOSIS and the regional head of the ministry of planning. The proposal includes a list of the targeted municipalities, an allocation of resources for each program in each selected municipality, and the complementary activities and resources that would be required in addition to those provided by FOSIS. The proposal is discussed and approved by the Regional Council, presided by the Head of the Regional Government and composed by the regional representative of line ministries. The regional working group oversees the implementation of the annual program and reports progress to the regional council.

3.5 Once municipalities are selected and resources allocated to them, the Head of the Regional Government notifies the majors of the selected municipalities of resources made available for each program in a given fiscal year. This notification triggers the process at the municipal level of government.

The Role of the Municipal Government

3.6 Municipal governments approve an investment program including a list of targeted communities, resources allocated to each program and complementary actions and resources that the municipal government allocates as additional to FOSIS’s programs. One key element in this process is the structuring of the Municipal Working Group (MWG), who is responsible for formulating the proposed investment program and supporting its approval by the municipal council (chaired by the mayor). The MWG is directed by a representative from FOSIS and the Municipal Government, with participation of relevant municipal staff and representatives from intermediaries involved in the implementation of programs. The MWG facilitates the implementation of the investment plan, and takes an active role in the coordination of each activity of the plan with all other relevant municipal development programs. It also follows up on overall implementation and reports progress to the municipal authorities. The municipal government also gives final approval to the competitive selection of small-scale projects presented by beneficiaries under the Capacity Building, Strengthening of Existing Organizations and Income Generation in Rural Areas programs.

The Role of FOSIS

3.7 The main role of FOSIS under this scheme is to create a link between the municipal authority and beneficiaries. The MWP has proven to be quite an effective tool

for this purpose. In particular, it creates a space for the interaction between municipal technical staff, FOSIS staff and representatives of the intermediaries, retained by FOSIS, implementing the programs in the municipality.

3.8 There is a close interaction between the MWP and intermediaries working on capacity building. Although these intermediaries are selected (through competitive processes), contracted and supervised by FOSIS, the concept of the MWP creates a space for close interaction and involvement of municipal staff with the intermediaries. The MWP is involved in disseminating their activities in the municipality, in the definition of their scope of work, in monitoring of their activities, in validating initiatives prioritized by beneficiaries and making an assessment on overall performance and results achieved. A similar interaction also takes place with those intermediaries implementing specific projects with young people, children and the elderly.

Activity	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Regional Gov't												
Selects Municipalities	xxxx											
Monitors Progress			x			x			x			x
Municipal Gov't												
Establishes MGW	xx											
Selects Communit.		xxxx	xx									
Selects Projects								x				
Coordinates Implementation			xx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Monitors Progress				x	x	x	x	x	x	x	x	x
FOSIS												
Two phase programs(1):												
Select Intermediary			xx	xxxx	xx							
Work with community					xx	xxxx	xxxx	xxxx	xxxx			
Project Submission							x					
Competition							xx	xxxx				
Beneficiaries implement									xxxx	xxxx	xxxx	
Beneficiaries evaluate												xxxx
One phase programs(2):												
Competition				xxxx	xx							
Select Intermediary					xx							
Implementation						xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx

- (1) includes capacity building and income generation.
- (2) includes programs for youth, children and elderly.

3.9 The chart above illustrates the typical development of activities for the resource allocation scheme during a fiscal year. It can be noted that the first four to five months of each year are used for the targeting and resource allocation process. As a consequence of this, actual work with beneficiaries only starts in May or June of each year.

Current Issues Related to the Allocation Scheme

3.10 The decentralized resource allocation scheme was introduced in 1996. The experience of the first three years has enabled the introduction of some improvements, notably a much larger role and involvement of regional authorities and the expansion of the number of programs included under the scheme. Also, other government agencies have become interested in participating with their own programs or at least coordinating their actions. There are, however, still some unresolved issues that need further attention. These are described below.

- The scheme has a much larger impact in small municipalities with scarce resources where FOSIS' programs make a difference in the overall resource allocation process. In the case of larger, normally richer and better managed municipalities, the program is more often perceived as a nuisance than as a meaningful contribution to the municipal programs.
- No two municipal governments are alike. Each one has its own tradition, management style and strengths and weaknesses. This requires flexibility in the approach and modalities for establishing the Municipal Working Group. In many cases, the mayors themselves and members of the council want to become involved in the process of selecting eligible communities.
- Many municipal governments, specially in rural areas, do not have meaningful development plans nor the ability to formulate them. In some of these cases, FOSIS has played an important role in assisting municipal governments to strengthen their managerial capability by improving the definition of strategies and priorities. As a consequence, there has been a learning process which has introduced delays in implementing activities during the fiscal year.
- In many cases, municipal governments decide to supplement resources allocated to two-phase programs to finance matching grants to beneficiaries for implementing projects. This creates a problem for FOSIS, since it normally has difficulties in increasing its own allocation for financing contracts with intermediaries in order to meet the increased match amount.

- Annual budgetary cycles introduce rigidities in the implementation of most programs. Intermediaries complain that the time allocated for working with communities and groups of young and old people is too short. Introducing behavioral change in groups takes considerably longer than the four to six months available during each fiscal year. There is also the related issue that FOSIS only offers intermediaries work during part of the year. But these intermediaries play a critical role for building and strengthening the capability of organizations in civil society for overcoming poverty, which is the very essence of FOSIS main objective. For these reasons, FOSIS is currently negotiating with the Office of the Budget to structure some form of three-year programs which will assist in implementing programs on a more continuous way, moving away from fiscal year cycles. Additionally, FOSIS is studying modifications to the selection and contracting of intermediaries, examining options for strengthening a longer term relation with them, without affecting the competitive nature of the selection process.
- FOSIS has not paid much attention, in the past, to the interrelation among its several programs and how to integrate them with territorial strategies. This same issue is also valid with respect to programs sponsored by other government agencies in the same municipality.
- Questions have been raised regarding the process for selecting municipalities at the regional level. In practice, a vast majority of targeted municipalities are the same year after year. This issue points in the direction of focusing the process of selection only in municipalities that may graduate from the system or becoming part of it. Consideration is also given to carry out the full exercise only every three years.
- There is concern about the participation of civil society, at large, in the stages of program design. Some people believe that more emphasis should be given to the demand-driven nature of the interventions, establishing participation schemes in the early phases of selection of interventions in each commune.

Possible Future Directions for the Allocation Scheme

3.11 FOSIS is currently carrying out an exercise to study and define improvements to the way its programs are reaching beneficiaries. It is also assessing its interaction with regional and local governments, other government agencies, intermediaries and other actors related to its mission and objectives. One of the objectives is to become more demand-oriented in seeking a sustainable change in groups of beneficiaries, and by financing investment alternatives that better address the needs of the poor within a given territory. This calls for strengthening the participation mechanism for designing lines of action at the local level. Such approach would require the development of strategic frameworks to help target FOSIS investment in municipalities. Although this process is in early stages of development and discussion, the prevailing thoughts are moving towards targeting resources by groups of interventions addressing similar issues rather

than by specific programs. These would be supported by a stronger demand assessment capability within FOSIS, on a territorial basis.

3.12 A first group of interventions would address capacity building issues for groups of beneficiaries both with social development and income generation objectives. It would be implemented by intermediaries with two modalities: (a) development and strengthening of capabilities of social groups for managing their affairs; and (b) technical support for project design, management and operation.

3.13 The second group would deal with social development interventions. One modality would focus on generating management capabilities for implementing projects by providing financial support to projects implemented by beneficiaries. A second modality would address the satisfaction of specific social needs and would be implemented by intermediaries; programs for the elderly, children and young people would be covered here.

3.14 The third group of interventions would include all FOSIS programs focusing on improvement of income generation for the poor. It would include all its current programs supporting rural groups, micro-enterprises, and training programs.

IV. Conclusions

4.1 The argument has been made that supporting social funds - that manage poverty alleviation programs with an agile and independent structure reporting to the highest level of the central government - undermines efforts to support the decentralization process in the same country. Most social funds establish mechanisms to deal directly with beneficiaries, supporting small-scale projects aimed at addressing pressing needs to improve living conditions. But the issue with decentralization schemes arises because these mechanisms either bypass totally local governments or, at best, give them some marginal role.

4.2 FOSIS has developed mechanisms to integrate community-level poverty alleviation interventions with regional and local government planning processes. This operates in four basic stages: (a) at the beginning of the fiscal year, FOSIS makes an allocation of resources available for its programs to the 13 regions, according to a targeting criteria based on poverty maps; (b) regional authorities select the communities that will participate and make an allocation of the resources available for each program; (c) municipal authorities target each approved program to small geographical areas or neighborhoods within the community and allocates available resources; and (d) FOSIS manages the execution of the programs, which are implemented by intermediaries (mostly NGOs) and directly by beneficiaries. During implementation, programs are monitored by the regional and municipal authorities with FOSIS assistance. While there is some additional fine-tuning to be done to these mechanisms, these processes have benefited both FOSIS, in terms of better integration and synergy of its investments with other activities at the local level, and regional and municipal governments by capacity

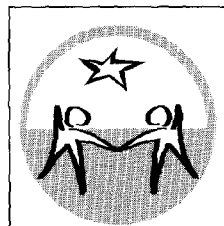
enriching experience in participatory planning and innovative approaches to poverty alleviation.

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Summary Findings

This paper reviews the Chilean experience in dealing with the issue of integration of local and regional governments into the poverty alleviation programs carried out through the Chilean social fund — FOSIS. FOSIS was created in 1990 by the first democratically elected government that took office after 17 years of military rule. However, it was only in 1992 that local governments were elected after a long period of appointed officials and neglect of investments in economic and social infrastructure. Since its inception, FOSIS gave high priority to participatory approaches and capacity building of community organizations as the key mechanisms to enable the poor to improve their living conditions on a sustainable basis. This paper traces the evolution of FOSIS and analyzes its new strategy for allocating resources at the regional and local levels. The Chilean case presents a successful example of increasing integration of local governments with poverty programs designed and implemented by intermediaries (mostly NGOs) and/or directly by beneficiaries.

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